

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1127 – HB 855

March 25, 2013

SUMMARY OF ORIGINAL BILL: Expands the additional annual job tax credit pursuant to Tenn. Code Ann. § 67-4-2109(b)(2)(C) to include business entities in adventure tourism districts in tier 1 enhancement counties. Reduces the number of created jobs required to qualify for the additional job tax credit of \$4,500 per job for qualified business enterprises located in tier 2 or tier 3 enhancement counties in areas designated as adventure tourism zones. Authorizes such credit for a period of five years, rather than three years, for qualified business enterprises located in a tier 3 enhancement county. Prohibits businesses located adjacent to adventure tourism districts and not within such district from qualifying for the job tax credit. Requires signs and contracts of adventure tourism establishments to include a statement that the state's approval of an adventure tourism business is limited to determining eligibility for tax credits only, and that the state is held harmless for any act of an adventure tourism business.

FISCAL IMPACT OF ORIGINAL BILL:

Forgone State Revenue – Exceeds \$100,000

SUMMARY OF AMENDMENT (005438): Replaces the language “best interest of the state” under Tenn. Code Ann. § 11-11-204(c) with the language “best interests of the state”.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-4-2109(b)(1)(C), in order to qualify for the job tax credit, a business enterprise must, within the investment period, create at least 25 qualified jobs.
- This bill will lower that requirement, for businesses in adventure tourism districts in tier 2 enhancement counties to 19 jobs, and for businesses in adventure tourism districts in

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tier 3 enhancement counties to 13 jobs. The bill will require all 25 jobs to be created by businesses in adventure tourism districts in tier 1 enhancement counties.

- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of local governments that will establish adventure tourism districts, the number of business enterprises within each district, the franchise and excise tax liability of each qualified business enterprise, the year in which tax credits will originate, and the number of net new full-time jobs which would be created.
- Given the extent of unknown factors mentioned above, determining a precise fiscal estimate for this bill as amended is difficult. However, and based on information from ECD indicating that no business has qualified for job tax credits under current law, the forgone revenue to the state is reasonably estimated to exceed \$100,000 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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